

**ST. LOUIS DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE CITY OF ST. LOUIS)**

**FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTAL INFORMATION,  
ADDITIONAL INFORMATION  
AND INDEPENDENT AUDITORS' REPORT  
WITH ACCOMPANYING SINGLE AUDIT  
AND OMB CIRCULAR A-133 REPORTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

St. Louis Development Corporation  
(A Component Unit of the City of St. Louis)

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St. Louis Development Corporation  
MANAGEMENT DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2010

The attached financial reports present the financial position of the St. Louis Development Corporation (SLDC) for the fiscal year ended June 30, 2010 (FY10). The report reflects the financial position of SLDC in combination with the six asset holding development entities under its operating umbrella.

The six development entities include the Land Clearance for Redevelopment Authority (LCRA), the Planned Industrial Expansion Authority (PIEA), the Industrial Development Authority (IDA), the Land Reutilization Authority (LRA), the Port Authority (PORT), and the Local Development Company (LDC). SLDC, although an established not for profit entity, is considered governmental in nature because of the degree of control exerted by the local governmental unit.

Financial statement reports included are:

- 1) Statement of Net Assets
- 2) Statement of Activities
- 3) Balance Sheet – Governmental Funds
- 4) Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
- 5) Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
- 6) Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- 7) Statement of Net Assets – Proprietary Fund
- 8) Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund
- 9) Statement of Cash Flows – Proprietary Fund

Following the financial statements are Notes to the Financial Statements (pages 12 through 28) which give general organizational information as well as supporting detail for some of the financial data contained in the nine financial statements.

Following the Notes is a section entitled Additional Information (pages 29 through 36) which shows the Combining Statement of Net Assets and the Combining Statement of Revenue, Expense, and Changes in Net Assets for each asset holding entity under the SLDC umbrella as it relates to governmental activities and a combined government and business statement for LCRA including a Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets. The Additional Information section also includes a Schedule of Expenditures of Federal Awards along with accompanying notes.

Following the Additional Information section is a section for the Auditors' Reports and opinions regarding the expenditures of federal funds (pages 37 through 43). These are required federal filings under OMB Circular A-133 for entities that receive more than \$500,000 in federal funds during the fiscal year.

The financial statements include a STATEMENT of ACTIVITIES that breaks out financial data by function. In the case of SLDC these functions are broken down into two categories, Governmental and Business. The entire Business function of SLDC relates to the operation of the St. Louis Centre Parking Facilities. This function is considered business because the intermediate and long-range plans are to continue to operate the parking facilities as a source of revenue. All other SLDC functions are considered governmental in nature. The STATEMENT OF ACTIVITIES combines net revenue from functions with other revenue and, along with Beginning Net Assets, arrives at the ending Net Assets reported on the STATEMENT OF NET ASSETS.

St. Louis Development Corporation  
MANAGEMENT DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2010  
(Continued)

The statement entitled BALANCE SHEET-GOVERNMENTAL FUNDS and the corresponding STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES report only on government activity deemed to be "current activity" (expected to be collected and/or paid within one year). RECONCILIATION STATEMENTS immediately follow the BALANCE SHEET-GOVERNMENTAL FUNDS and STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS which reconciles both governmental funds statements to the STATEMENT OF NET ASSETS and STATEMENT OF ACTIVITIES (which shows both the current and long term financial picture) for the governmental classification.

Overall there was a decrease in Net Assets (Fund Balance) of SLDC and its reporting entities from the prior year as outlined below:

**Comparative Statement of Net Assets**  
**(in millions of dollars and rounded)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b><u>FY09</u></b>	<b><u>FY10</u></b>	<b><u>FY09</u></b>	<b><u>FY10</u></b>	<b><u>FY09</u></b>	<b><u>FY10</u></b>	<b><u>2009-2010</u></b>
Current and Other Assets	\$39.7	\$47.4	\$ 2.7	\$ 2.5	\$42.4	\$49.9	17.7%
Capital Assets	<u>1.3</u>	<u>1.1</u>	<u>12.9</u>	<u>12.2</u>	<u>14.2</u>	<u>13.3</u>	( 6.3%)
Total Assets	<u>41.0</u>	<u>48.5</u>	<u>15.6</u>	<u>14.7</u>	<u>56.6</u>	<u>63.2</u>	11.7%
Long-term Debt Outstanding	7.8	16.6	11.8	11.1	19.6	27.7	41.3%
Other Liabilities	<u>17.7</u>	<u>18.7</u>	<u>0.4</u>	<u>0.5</u>	<u>18.1</u>	<u>19.2</u>	6.1%
Total Liabilities	<u>25.5</u>	<u>35.3</u>	<u>12.2</u>	<u>11.6</u>	<u>37.7</u>	<u>46.9</u>	24.4%
Net Assets							
Invested in capital assets, net of related debt	1.3	1.1	1.1	1.1	2.4	2.2	( 8.3%)
Restricted	-	-	2.2	2.0	2.2	2.0	( 9.1%)
Unrestricted	<u>14.2</u>	<u>12.1</u>	<u>0.1</u>	<u>0.0</u>	<u>14.3</u>	<u>12.1</u>	(15.4%)
Total Net Assets	<u>\$15.5</u>	<u>\$13.2</u>	<u>\$ 3.4</u>	<u>\$ 3.1</u>	<u>\$18.9</u>	<u>\$16.3</u>	(13.8%)

Total assets increased 11.7% (\$6.6 million) and total liabilities increased 24.4% (\$9.2 million) resulting in a decrease in total net assets of 13.8% (\$2.6 million).

Assets increased \$6.6 million primarily due to a combination of the following: Notes and Loans Receivable increased \$4.5 million; Property Held for Development increased \$3.6 million; Cash and Investments decreased \$1 million; and Property, Plant, and Equipment (PPE) decreased \$0.8 million. Notes and Loans Receivable increased primarily due to the financing of the 600 Washington Office Tower project, in which LCRA accepted a \$5 million note from the developer and also signed a note payable to the Missouri Development Finance Board for \$5 million. Property Held for Development increased \$3.6 million, primarily due to LCRA acquiring the 18-story Arcade Building property; this was netted against a large allowance taken on PIEA land holdings. The Cash and Investments decrease is primarily attributed to funding operating deficits; and the PPE decrease is attributed to normal depreciation on fixed assets, and is similar to what was recorded in FY10.

St. Louis Development Corporation  
MANAGEMENT DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2010  
(Continued)

Liabilities increased \$9.2 million primarily due to an increase in Notes Payable of \$8.8 million. This is attributed to LCRA increasing borrowing by approximately \$9.8 million for two real estate development transactions (the Arcade Building acquisition and the 600 Washington Office Tower financing); PIE reduced Notes Payable by \$1 million through scheduled loan amortization. Also related to liabilities were a reduction in Bonds Payable of \$0.6M and amounts due government agencies of \$1.6 million; however, there were increases in account payables, accruals & other liabilities of \$1.9 million.

Although both assets and liabilities increased in FY10, the increase in liabilities exceeded assets by \$2.6 million resulting in a corresponding decrease in net assets.

The following table shows the changes in net assets derived from operations.

**Comparative Statement of Changes in Net Assets**  
(in millions of dollars and rounded)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change 2009-2010</u>
	<u>FY09</u>	<u>FY10</u>	<u>FY09</u>	<u>FY10</u>	<u>FY09</u>	<u>FY10</u>	
Revenues							
Program Revenue							
Federal Grants	\$ 6.1	\$ 7.7	\$ -	\$ -	\$ 6.1	\$ 7.7	26.2%
Other Governmental	1.5	3.7	-	-	1.5	3.7	146.7%
Other Operating	<u>5.5</u>	<u>7.7</u>	<u>1.4</u>	<u>1.4</u>	<u>6.9</u>	<u>9.1</u>	31.9%
Total Revenue	<u>13.1</u>	<u>19.1</u>	<u>1.4</u>	<u>1.4</u>	<u>14.5</u>	<u>20.5</u>	41.4%
Expense							
Development Cost	6.5	10.1	-	-	6.5	10.1	55.4%
Other Operating	<u>8.0</u>	<u>11.0</u>	<u>2.0</u>	<u>2.0</u>	<u>10.0</u>	<u>13.0</u>	30.0%
Total Expense	<u>14.5</u>	<u>21.1</u>	<u>2.0</u>	<u>2.0</u>	<u>16.5</u>	<u>23.1</u>	40.0%
Excess before transfer	( 1.4)	( 2.0)	( 0.6)	( 0.6)	( 2.0)	( 2.6)	(30.0%)
Outside Transfer	-	-	-	-	-	-	0.0%
Internal Transfer	( <u>0.4</u> )	( <u>0.3</u> )	<u>0.4</u>	<u>0.3</u>	<u>-</u>	<u>-</u>	0.0%
Increase (Decrease) in Net Assets	(\$ <u>1.8</u> )	(\$ <u>2.3</u> )	(\$ <u>0.2</u> )	(\$ <u>0.3</u> )	(\$ <u>2.0</u> )	(\$ <u>2.6</u> )	(30.0%)

The schedule shows an increase in total revenue of 41.4% (\$6 million) and an increase in total expense of 40.0% (\$6.6 million). Overall the net loss (expense over revenue) increased 30.0% (\$0.6 million) from a net loss of \$2.0 million in FY09 to a net loss of \$2.6 million in FY10.

The Revenue increase of \$6 million is primarily the result of increased government grant funding of \$3.8M including funding from CDBG, EPA, Empowerment Zone, and Homeland Security. Other revenue increases from non governmental program revenue of \$.8 million, development fees of \$.7 million, and all other categories of \$.7 million.

St. Louis Development Corporation  
MANAGEMENT DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2010  
(Continued)

Expenses increased \$6.6 million which basically includes the offset expense for the government grant programs mentioned in the Revenue section above. LCRA also incurred extraordinary expense of \$1.2 million related to a court settlement on a development project. PIE also incurred a \$2 million, non-cash, write-down of land held for development.

The following chart shows capital asset activity for both the governmental activities and the business-type activities. The changes to these accounts are due to normal depreciation charges on previously booked assets.

**Comparative Statement of Capital Assets**  
(net of depreciation, in millions of dollars and rounded)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b><u>FY09</u></b>	<b><u>FY10</u></b>	<b><u>FY09</u></b>	<b><u>FY10</u></b>	<b><u>FY09</u></b>	<b><u>FY10</u></b>	<b><u>2009-2010</u></b>
Land	\$ -	\$ -	\$ 4.9	\$ 4.9	\$ 4.9	\$ 4.9	-
Buildings and Improvements	1.3	1.1	8.0	7.3	9.3	8.4	(9.7%)
Other Operating	-	-	-	-	-	-	-
Total	<u>\$ 1.3</u>	<u>\$ 1.1</u>	<u>\$12.9</u>	<u>\$12.2</u>	<u>\$14.2</u>	<u>\$13.3</u>	(6.3%)

Below is a chart showing the changes in long-term debt for FY10. As stated previously, the amount of outstanding revenue bonds decreased \$0.6 million due to normal scheduled amortization. The notes payable increase of \$8.8 million is the result of LCRA incurring additional debt of \$9.8 million related to downtown development, and PIE retiring \$1 million in debt.

**Comparative Statement of Outstanding Debt**  
(in millions of dollars and rounded)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b><u>FY09</u></b>	<b><u>FY10</u></b>	<b><u>FY09</u></b>	<b><u>FY10</u></b>	<b><u>FY09</u></b>	<b><u>FY10</u></b>	<b><u>2009-2010</u></b>
Revenue Bonds							
(Backed by fee revenues)	\$ -	\$ -	\$11.8	\$11.1	\$11.8	\$11.1	( 5.9%)
Notes							
(Backed by SLDC entities)	<u>7.8</u>	<u>16.6</u>	<u>-</u>	<u>-</u>	<u>7.8</u>	<u>16.6</u>	112.8%
Total	<u>\$7.8</u>	<u>\$16.6</u>	<u>\$11.8</u>	<u>\$11.1</u>	<u>\$19.6</u>	<u>\$27.7</u>	41.3%

Overall the financial condition of SLDC remains stable with assets of \$63.2 million, liabilities of \$46.9 million resulting in net assets of \$16.3 million. The assets do, however, contain \$17.5 million in Property Held for Development which is valued at cost, net of allowance for impairment. SLDC strives to recover its investment in these properties when they are sold for redevelopment purposes. If disposition proceeds are less than the investment, the value of net assets will decrease accordingly. This is the largest factor affecting the SLDC financial position.

It is anticipated that FY11 results will begin to show improvement. Most revenue categories have leveled off or showed slight increases. Routine Expenses have been contained or reduced, and hopefully the unexpected expenses will be held to a minimal amount.



## Independent Auditors' Report

Board of Directors  
St. Louis Development Corporation  
St. Louis, Missouri

We have audited the accompanying financial statements of St. Louis Development Corporation, a component unit of the City of St. Louis, as of and for the year ended June 30, 2010 as listed in the accompanying table of contents. These basic financial statements are the responsibility of St. Louis Development Corporation's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Louis Development Corporation as of June 30, 2010, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 2010 on our consideration of St. Louis Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i - iv* be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

St. Louis Development Corporation has not presented Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Shmuel Teller & Co., PC*

St. Louis, Missouri

November 24, 2010



## **FINANCIAL STATEMENTS**

St. Louis Development Corporation  
STATEMENT OF NET ASSETS  
June 30, 2010

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and investments			
Unrestricted	\$ 10,351,034	\$ 158,072	\$ 10,509,106
Held in escrow by the City of St. Louis	2,040,981	-	2,040,981
Notes and loans receivable, current	1,061,349	-	1,061,349
Other receivables	1,299,636	28,672	1,328,308
Prepaid expenses	247,623	47,519	295,142
Internal balances	151,427	-	151,427
Due from other governmental agencies	563,492	-	563,492
Cash restricted	-	1,986,354	1,986,354
Notes and loans receivable, non-current	14,197,034	-	14,197,034
Other assets	-	258,704	258,704
Property held for development, net of allowance for impairment	17,482,545	-	17,482,545
Capital assets			
Land	-	4,914,138	4,914,138
Other capital assets, net of depreciation	1,101,054	7,328,316	8,429,370
 Total Assets	 <u>\$ 48,496,175</u>	 <u>\$ 14,721,775</u>	 <u>\$ 63,217,950</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 3,359,405	\$ 46,678	\$ 3,406,083
Accrued interest payable	-	256,320	256,320
Internal balances	-	151,427	151,427
Due to other governmental agencies, current	1,153,000	-	1,153,000
Notes payable, current	10,576,078	-	10,576,078
Revenue bonds payable, current	-	430,000	430,000
Other liabilities, current	1,136,908	-	1,136,908
Due to other governmental agencies, non-current	9,097,618	-	9,097,618
Notes payable, non-current	6,044,694	-	6,044,694
Revenue bonds payable, non-current	-	10,690,000	10,690,000
Other liabilities, non-current	3,958,740	-	3,958,740
 Total Liabilities	 <u>35,326,443</u>	 <u>11,574,425</u>	 <u>46,900,868</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,101,054	1,122,454	2,223,508
Restricted for:			
Revenue bond requirements	-	1,986,354	1,986,354
Unrestricted	12,068,678	38,542	12,107,220
 Total Net Assets	 <u>\$ 13,169,732</u>	 <u>\$ 3,147,350</u>	 <u>\$ 16,317,082</u>

See accompanying notes to financial statements

St. Louis Development Corporation  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2010

Functions/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Development	\$21,107,851	\$7,586,891	\$11,374,162	\$ -	(\$ 2,146,798)	\$ -	(\$ 2,146,798)
Business-Type Activities:							
Parking	<u>2,002,045</u>	<u>1,430,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 571,658)</u>	<u>( 571,658)</u>
Total Government	<u>\$23,109,896</u>	<u>\$9,017,278</u>	<u>\$11,374,162</u>	<u>\$ -</u>	<u>( 2,146,798)</u>	<u>( 571,658)</u>	<u>( 2,718,456)</u>
Other Revenues:							
Unrestricted investment earnings					113,511	52,732	166,243
Other financing sources					<u>( 305,805)</u>	<u>305,805</u>	<u>-</u>
Transfers							
Total Other Revenues and Transfers					<u>( 192,294)</u>	<u>358,537</u>	<u>166,243</u>
Changes in Net Assets					<u>( 2,339,092)</u>	<u>( 213,121)</u>	<u>( 2,552,213)</u>
Net Assets - Beginning					<u>15,508,824</u>	<u>3,360,471</u>	<u>18,869,295</u>
Net Assets - Ending					<u>\$13,169,732</u>	<u>\$3,147,350</u>	<u>\$16,317,082</u>

See accompanying notes to financial statements  
(4)

St. Louis Development Corporation  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2010

ASSETS

	<u>Special Revenue</u>
ASSETS	
Cash and investments	
Unrestricted	\$ 10,351,034
Held in escrow by the City of St. Louis	2,040,981
Due from other funds	151,427
Notes and loans receivable	1,061,349
Other receivables	1,299,636
Due from other governmental agencies	<u>563,492</u>
Total Assets	<u><u>\$ 15,467,919</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES	
Accounts payable and accrued expenses	\$ 3,359,405
Due to other governmental agencies	1,153,000
Notes payable	10,576,078
Other liabilities	<u>1,136,908</u>
Total Liabilities	<u>16,225,391</u>
FUND BALANCES	
Unreserved	<u>( 757,472)</u>
Total Fund Balances	<u>( 757,472)</u>
Total Liabilities and Fund Balances	<u><u>\$ 15,467,919</u></u>

St. Louis Development Corporation  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
For the Year Ended June 30, 2010

**Total Fund Balances - Governmental Funds** (\$ 757,472)

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$3,663,958 and the accumulated depreciation is \$2,562,904. 1,101,054

Notes and loans receivable will not be collected this year therefore are not available to pay for current period expenditures and, therefore, are deferred in the funds. 14,197,034

Property held for development not expected to be sold during the current period. 17,482,545

Prepaid expenses and other assets are not financial resources, and therefore are not included in the funds. 247,623

Long-term liabilities, including notes payable and other liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Due to other governmental agencies	9,097,618	
Notes payable	6,044,694	
Other liabilities	<u>3,958,740</u>	
		( <u>19,101,052</u> )

**Total Net Assets - Governmental Activities** \$ 13,169,732

See accompanying notes to financial statements

St. Louis Development Corporation  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2010

	Special Revenue
REVENUES	
Intergovernmental - CDBG	\$ 7,698,784
Other governmental	3,675,378
Program non-governmental	1,378,053
Rental	2,579,759
Land sales proceeds	657,932
Parking	300,399
Development fees	1,471,851
Interest income	113,511
Other	<u>1,323,157</u>
Total Revenues	<u>19,198,824</u>
EXPENDITURES	
Development costs:	
Site improvements and construction	3,288,221
Property acquisition and real estate expenses	2,663,152
Consulting and other	1,119,172
Grants and contracts	3,019,043
Salaries and administrative expenses	6,017,766
Property maintenance and expenses	1,582,266
Other	1,142,171
Debt service - interest expense	78,339
Purchase of property held for development	<u>5,751,453</u>
Total Expenditures	<u>24,661,583</u>
Deficiency of Revenues over Expenditures	<u>( 5,462,759)</u>
OTHER FINANCING SOURCES (USES)	
Transfers from Enterprise Fund	( 305,805)
Issuance of notes payable	9,816,078
Principal payments of notes payable	( 960,000)
Change in note payable term	( 5,216,078)
Excess notes and loans receivable issued over those collected	( 7,793,558)
Excess other liabilities issued over those paid	1,319,696
Excess payments received from other governmental agencies over payments made	<u>40,767</u>
Total Other Financing Sources (Uses), Net	<u>( 3,098,900)</u>
Net Change in Fund Balance	<u>( 8,561,659)</u>
FUND BALANCES, Beginning of Period	<u>7,804,187</u>
FUND BALANCES, End of Period	<u>(\$ 757,472)</u>

See accompanying notes to financial statements

St. Louis Development Corporation  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2010

**Net Changes in Fund Balances - Total Governmental Funds** (\$8,561,659)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense of \$201,304 and expenditure for capital outlay of \$252 for 2010. ( 201,052)

Amounts paid for invoices applicable to a future period are not reported as expenditures in the governmental statement of activities. 15,783

The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the sum of debt proceeds of \$9,816,078, change in note payable term of \$5,216,078, and principal repayments of \$960,000. ( 3,640,000)

Governmental funds report the purchase of property held for development as expenditures. However, in the statement of activities, the cost of this property is reported under governmental activities based on management's intent of ultimate disposition of property. This is the amount of purchases less the cost of sales of property held for development of \$5,751,453 and \$136,712, respectively, during 2010. The allowance for impairment on property held for development was increased by \$2,000,000 during 2010. 3,614,741

The proceeds from other liabilities and other governmental agencies provide current financial resources to governmental funds, but issuing other liabilities and debt to other governmental agencies increases long-term liabilities in the statement of net assets. This is the amount of the excess of other governmental payments received over payments made of \$40,767 plus the excess of other liabilities issued over payments made of \$1,319,696. ( 1,360,463)

The collection of notes and loans receivable provides current financial resources to governmental funds, but issuing notes and loans receivable increases long-term assets in the statement of net assets. This is the amount by which excess collections of notes and loans receivable exceeded those issued. 7,793,558

**Change in Net Assets of Governmental Activities** (\$2,339,092)

See accompanying notes to financial statements

St. Louis Development Corporation  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
For the Year Ended June 30, 2010

ASSETS

	<u>Parking</u>
CURRENT ASSETS	
Cash and investments	
Unrestricted	\$ 158,072
Restricted	1,986,354
Other receivables	28,672
Prepaid expenses	<u>47,519</u>
Total Current Assets	<u>2,220,617</u>
NON-CURRENT ASSETS	
Capital assets	
Land	4,914,138
Buildings and equipment	18,814,674
C/B 124 surface lot	175,475
Less accumulated depreciation	( 11,661,833)
Other assets, net	<u>258,704</u>
Total Non-Current Assets, Net of Depreciation	<u>12,501,158</u>
Total Assets	<u><u>\$ 14,721,775</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued expenses	\$ 46,678
Accrued interest payable	256,320
Internal balances	151,427
Revenue bonds payable, current	430,000
Revenue bonds payable, non-current	<u>10,690,000</u>
Total Liabilities	<u>11,574,425</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,122,454
Retained earnings	
Reserved for revenue bond requirements	1,986,354
Unreserved	<u>38,542</u>
Total Net Assets	<u><u>\$ 3,147,350</u></u>

See accompanying notes to financial statements



St. Louis Development Corporation  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS - PROPRIETARY FUND  
For the Year Ended June 30, 2010

	<u>Parking</u>
OPERATING REVENUES	
Parking fees	<u>\$ 1,430,387</u>
OPERATING EXPENSES	
Personal services	216,941
Materials and supplies	8,442
Contractual services	30,964
Maintenance and security	131,649
Utilities	87,128
Insurance	59,965
Taxes and other	41,734
Depreciation and amortization	<u>642,247</u>
Total Operating Expenses	<u>1,219,070</u>
Income From Operations	<u>211,317</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	52,732
Interest expense	<u>( 782,975)</u>
Total Non-Operating Revenues (Expenses)	<u>( 730,243)</u>
NET INCOME	<u>( 518,926)</u>
TRANSFERS	
Operating transfer in	<u>305,805</u>
Changes in Net Assets	<u>( 213,121)</u>
FUND BALANCES, Beginning of Period	<u>3,360,471</u>
FUND BALANCES, End of Period	<u><u>\$ 3,147,350</u></u>

St. Louis Development Corporation  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from parking fees	\$ 1,427,238
Cash used in operations	<u>( 518,000)</u>

Net Change in Cash from Operating Activities	<u>909,238</u>
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CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Operating transfer	<u>305,805</u>
--------------------	----------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments on revenue bonds	( 645,000)
Interest paid on revenue bonds	<u>( 824,490)</u>

Net Change in Cash from Capital and Related Financing Activities	<u>( 1,469,490)</u>
--	---------------------

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>52,732</u>
-----------------	---------------

Net Change in Cash and Cash Equivalents	( 201,715)
---	------------

CASH AND CASH EQUIVALENTS, Beginning of period	<u>2,346,141</u>
--	------------------

CASH AND CASH EQUIVALENTS, End of period	<u><u>\$ 2,144,426</u></u>
--	----------------------------

RECONCILIATION OF OPERATING INCOME TO NET CHANGE IN CASH FROM OPERATING ACTIVITIES:

CASH FLOWS FROM OPERATING ACTIVITIES

Income from operations	\$ 211,317
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation and amortization	642,247
(Increase) decrease in assets:	
Other receivables	( 3,149)
Prepaid expenses	2,944
Increase (decrease) in liabilities:	
Internal balances	44,871
Accounts payable and accrued expenses	<u>11,008</u>

Net Change in Cash from Operating Activities	<u><u>\$ 909,238</u></u>
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See accompanying notes to financial statements

St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

St. Louis Development Corporation ("SLDC") was organized in 1988 to improve the efficiency and effectiveness of the economic development activities of the City of St. Louis, Missouri (the "City"). SLDC combines the staffs of six independent development agencies for the purpose of coordinating administrative services for all six agencies. The agencies are the Land Clearance for Redevelopment Authority ("LCRA"), the Local Development Company ("LDC"), the Planned Industrial Expansion Authority ("PIEA"), the St. Louis Industrial Development Authority ("IDA"), the Land Reutilization Authority ("LRA"), and the St. Louis Port Authority ("Port"). The SLDC board consists of the board chairpersons from the six development agencies plus one individual, who serves as chairman, appointed by the Mayor of the City and two representatives from the Board of Alderpersons from the City. The City exercises significant oversight responsibilities for SLDC operations as discussed below. Accordingly, SLDC is considered a component unit of the City for financial reporting purposes.

The accounting policies and financial reporting practices of SLDC conform to accounting principles generally accepted in the United States of America applicable to governmental entities. The accounting and reporting framework and the more significant accounting principles and practices of SLDC are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanation, including required disclosures, of the Organization's financial activities for the fiscal year ending June 30, 2010.

The following is a summary of the more significant policies:

**Reporting Entity**

**General Description**

SLDC's financial statements include all material governmental activities, organizations, and functions for which, in the opinion of management, SLDC exercises significant oversight responsibility. This determination was based on the evaluation by management of the substance of the relationship to each potential agency unit in light of the following criteria: financial interdependency; the control exercised by SLDC in selection of the governing authority and designation of management; SLDC's ability to significantly influence operations; and SLDC's accountability for fiscal matters. Accordingly, the following entities are included in the accompanying basic financial statements:

- **St. Louis Development Corporation Fund (SLDCF)**  
The SLDCF functions as an administration fund which pays all SLDC general operating expenses. This fund also receives special grants for development purposes. The accounting for these grants is self-contained within SLDCF.

St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Reporting Entity** (Continued)

**General Description** (Continued)

- **Land Clearance for Redevelopment Authority (LCRA)**  
The LCRA was established in 1952 pursuant to Chapter 99 of the Missouri Revised Statutes. LCRA has power in areas designated by the legislative body of the City, to assemble, buy, develop, or sell property. It can also make recommendations for real estate tax abatement, on behalf of developers, to the legislative body of the City. LCRA has the authority to issue bonds to assist in public and private development, and to contract for various public infrastructure improvements which support development projects. The LCRA can be used to assist in residential, commercial, or industrial development.
- **Local Development Company (LDC)**  
The LDC is a private not-for-profit corporation established in 1976 to conform to the guidelines of the Small Business Administration Local Development Company Lending Programs. In general, LDC provides lending services to the small business community within the City. Using small business lending programs, available at the federal, state, and local level, LDC works with small businesses to structure and package loans more attractively than conventional financing. LDC assisted loans generally are longer term, have lower equity requirements, and in some cases, provide below market rates of interest.
- **Planned Industrial Expansion Authority (PIEA)**  
The PIEA was established in 1967 pursuant to Chapter 100 of the Missouri Revised Statutes. The PIEA functions are similar to the LCRA but focuses primarily in industrial areas.
- **Industrial Development Authority (IDA)**  
The IDA was established in 1979 pursuant to Chapter 349 of the Missouri Revised Statutes. IDA issues tax-exempt development revenue bonds for long-term financing of development projects.
- **Land Reutilization Authority (LRA)**  
The LRA was established in 1971 pursuant to Chapter 92 of the Missouri Revised Statutes. LRA takes title to donated property and tax delinquent property not purchased at the City Sheriff's sale. The LRA is responsible for the marketing and maintenance of its inventory and is supported by the sale of property.

St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Reporting Entity** (Continued)

**General Description** (Continued)

- **St. Louis Port Authority (Port Authority)**  
The Port Authority was established in 1975 pursuant to Chapter 68 of the Missouri Revised Statutes. The Port Authority has broad powers to conduct port operations in an area designated as the St. Louis Port District. The Port Authority is responsible for mooring leases of City owned property, including the docks and facilities of the St. Louis Terminal. The Port Authority is also responsible for monitoring and coordinating development within the St. Louis Port District and for coordinating river related activities.

**Government-Wide and Fund Financial Statements**

*Government-Wide Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for SLDC as a whole.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of SLDC's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

Fund financial statements are provided for governmental and proprietary funds. All SLDC funds are considered major funds. These major individual governmental and enterprise funds are reported in separate columns.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements of SLDC are prepared in accordance with generally accepted accounting principles (GAAP). SLDC's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Reporting Entity** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are parking fee charges to customers for services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is SLDC's policy to use restricted resources first, then unrestricted resources as needed.

**Fund Types and Major Funds**

*Governmental Funds*

SLDC reports only one major governmental fund which is the Development Fund. The Development Fund was established to account for SLDC's development projects, primarily funded with Community Development Block Grants and passed through from the Community Development Administration of the City of St. Louis (CDA).

*Proprietary Funds*

SLDC has only one major enterprise fund which is the Parking Fund. This fund accounts for the operating activities of SLDC's parking facilities.

St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**Cash and Investments - Held in Escrow by the City**

Certain monies related to Port and LRA, maintained by the City, are classified as Held in Escrow by the City of St. Louis.

**Financial Instruments**

The carrying amount of cash and investments, notes and loan receivables, accounts payable and accrued expenses approximates fair value due to the short-term maturities of these instruments. In addition, SLDC believes that the carrying amount of notes payable and revenue bonds payable approximates its fair market value due to the relative similarity of the effective interest rates as compared to current market rates.

**Due From/Due To Other Governmental Agencies**

Amounts due from and to any agencies that disburse governmental grant monies to various SLDC entities, are classified as Due From or Due To Other Governmental Agencies. Primary disbursing agency is currently the City Community Development Administration, CDA.

**Capital Assets and Depreciation**

SLDC's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historically, SLDC maintained infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund financial statements. SLDC generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are generally treated as follows:

Buildings and structures	40 years
Improvements other than buildings (includes infrastructure)	3 - 15 years
Furniture, fixtures, and equipment	3 - 10 years

St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Compensated Absences**

SLDC grants vacation to all full-time employees based on years of continuous service. Compensatory time is also granted to certain employees for hours worked in excess of a normal work week. Vacation benefits are allowed to accumulate and carry over, with limitations, into the next calendar year and will be paid to employees upon resignation, retirement or death. Sick leave benefits for all employees do not vest and, accordingly, they are recorded as expenditures when paid. The accrued benefit liability related to the compensated absences has been recorded as a liability under Governmental Activities as it is expected to be paid with available expendable resources.

**Investments**

Investments are stated at cost, which approximates fair market value, and consist primarily of U.S. government backed short-term securities.

**Transfers and Payments**

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers *between* the two columns (activities) appear in this statement. Transfers between governmental and business-type activities totaled \$305,805.

Additionally, during the year ended June 30, 2010, SLDC made no transfers to the City of St. Louis. Transactions related to these payments would be reflected in the statement of activities as other governmental income and as salaries, administrative, and property expense and program expenses.

**Long-Term Debt, Deferred Debt Expense, and Bond Discounts/Premiums**

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

**Fund Equity**

The governmental fund financial statements report a reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.



St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Income Taxes**

SLDC has been granted exemption from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code.

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

**Subsequent Events**

In preparing these financial statements, SLDC has evaluated events and transactions for potential recognition or disclosure through November 24, 2010, the date the financial statements were available to be issued.

B. **CASH AND INVESTMENTS**

At June 30, 2010, the carrying amount of SLDC's cash deposits (including amounts held in escrow by the City) was \$14,232,001 and the bank balance was \$15,103,427. Of the bank balance, \$2,036,985 was covered by federal depository insurance, \$13,066,442 was covered by collateral held by the pledging institution's trust department or agent in SLDC's name, and there were no uninsured and uncollateralized amounts. At June 30, 2010, the market value of investments approximated the carrying value of \$304,440.

State statutes and SLDC investment policies authorize the deposit of funds in financial institutions and trust companies or the investment of funds in obligations of the United States Government or any agency or instrumentality thereof; bonds of the State of Missouri, the City of St. Louis, or any city within the state with a population of 400,000 inhabitants or more; or time certificates of deposit; provided however, that no such investment shall be purchased at a price in excess of par. In addition, SLDC may enter into repurchase agreements maturing and becoming payable within 90 days secured by United States Treasury obligations or obligations of United States Government agencies or instrumentalities of any maturity as provided by law. SLDC funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in SLDC's name.

C. **RESTRICTED CASH AND INVESTMENTS**

The following summarizes restricted cash and investments held by SLDC at June 30, 2010:

Bond Funds	<u><u>\$1,986,354</u></u>
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St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

C. **RESTRICTED CASH AND INVESTMENTS** (Continued)

**Bond Funds**

Cash and investments are restricted in accordance with the LCRA Parking Facilities Revenue Refunding Bonds, Series 1999, Bond Indenture. Amortization expense was \$25,207 during the year ended June 30, 2010.

The bond indenture requires that gross operating revenues be paid to the bond trustee for deposit in the parking facility fund. From this fund, the revenues are to be applied by the trustee to various reserve accounts including principal and interest, repair and replacement, and operating reserve up to specified limits. Amounts received above the required limits are remitted by the Trustee to the LCRA.

D. **NOTES AND LOANS RECEIVABLE**

Notes and loans receivable consist principally of small business loans made to facilitate business growth. The commercial loans are primarily financed utilizing funds provided by the Community Development Administration of the City of St. Louis, Economic Development Administration, Environmental Protection Agency, and the State of Missouri. The proceeds from any repayment of these loans are generally payable back to the funding source, or re-loaned in accordance with the lending program. Grantor funds received for these lending programs are recorded as a liability and categorized as due to other governmental agencies.

E. **CAPITAL ASSETS**

**Changes in Capital Assets**

The following is a summary of changes in capital assets for the period ended June 30, 2010:

	Balance, June 30, 2009	Additions	Deductions	Balance, June 30, 2010
<b><u>Governmental Activities</u></b>				
Capital Assets				
Leasehold improvements	\$3,000,000	\$ -	\$ -	\$3,000,000
Equipment	663,706	252	-	663,958
Total capital assets at historical cost	3,663,706	252	-	3,663,958
Less accumulated depreciation for:				
Leasehold improvements	( 1,700,000)	( 200,000)	-	( 1,900,000)
Equipment	( 661,598)	( 1,304)	-	( 662,904)
Total accumulated depreciation	( 2,361,598)	( 201,304)	-	( 2,562,904)
Governmental capital assets, net	<u>\$1,302,108</u>	<u>(\$201,052)</u>	<u>\$ -</u>	<u>\$1,101,054</u>

St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

E. **CAPITAL ASSETS** (Continued)

	Balance, June 30, 2009	Additions	Deductions	Balance, June 30, 2010
<b><u>Business-Type Activities</u></b>				
Capital Assets Not Being Depreciated				
Land	\$ 4,914,138	\$ -	\$ -	\$ 4,914,138
Total capital assets not being depreciated	4,914,138	-	-	4,914,138
Other Capital Assets				
Parking facilities	18,990,149	-	-	18,990,149
Total other capital assets at historical cost	18,990,149	-	-	18,990,149
Less accumulated depreciation for:				
Parking facilities	( 11,044,793)	( 617,040)	-	( 11,661,833)
Total accumulated depreciation	( 11,044,793)	( 617,040)	-	( 11,661,833)
Business-type activities capital assets, net	<u>\$12,859,494</u>	<u>(\$617,040)</u>	<u>\$ -</u>	<u>\$12,242,454</u>

Depreciation was charged to functions as follows:

Governmental Activities:	
Development depreciation expense	<u>\$201,304</u>
Business-type Activities	
Parking	<u>\$617,040</u>

F. **PROPERTY HELD FOR DEVELOPMENT**

Property held for development consists primarily of land and property held for sale or other development purposes. This land and property is reported under Governmental Activities based on management's intent of ultimate disposition of the property. Proceeds received upon the sale of most of these properties will revert back to the funding source. A reserve for impairment in the amount of \$7,840,944 has been established on these properties.

G. **OTHER ASSETS**

Other assets at June 30, 2010 represent bond refinancing costs which are being amortized over the term of the related revenue bonds.

St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

**H. EMPLOYEES RETIREMENT PLAN AND TRUST**

The St. Louis Development Corporation Employees Retirement Plan and Trust ("SLDC Plan") became effective January 1, 1989. Required year ended June 30, 2010 contributions of \$319,643, which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2010, SLDC's current covered payroll was \$3,551,589 and total payroll amounted to \$3,599,454. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5-1/2% of their monthly compensation if they so elect. In order to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and completed at least six months of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related party securities. All plan investments are self-directed by the respective plan participants, within the limitations of the plan.

**I. BOND ISSUES FACILITATED BY SLDC**

IDA, PIEA, and LCRA (Authorities) facilitate the issuance of tax-exempt bonds for various private enterprises and government agencies. After bonds are sold, the proceeds are typically used to purchase real estate or fund capital improvements for the respective entity. Since the entity is responsible for the repayment of the bonds, no liability is established on the Authorities books. Therefore, transactions related to the leases and the related bond liability are not presented in the basic financial statements.

**J. LONG-TERM DEBT**

*CHANGES IN LONG-TERM DEBT*

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

Description and Purpose	Balance July 1, 2009	Issued	Retired	Balance June 30, 2010	Due Within One Year
<i>Governmental Activities</i>					
Due to other governmental agencies	\$11,856,851	\$ 1,359,848	\$2,966,081	\$10,250,618	\$ 1,153,000
Notes payable	7,764,694	9,816,078	960,000	16,620,772	10,576,078
Other liabilities	4,444,044	2,591,895	1,940,091	5,095,648	1,136,908
Total Governmental Activities	24,065,589	13,767,821	5,866,172	31,967,038	12,865,986
<i>Business-Type Activities</i>					
Revenue bonds:					
Enterprise fund – parking	11,765,000	-	645,000	11,120,000	430,000
Total Business-Type Activities	11,765,000	-	645,000	11,120,000	430,000
Total Long-Term Debt	\$35,830,589	\$13,767,821	\$6,511,172	\$43,087,238	\$13,296,186

St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

**J. LONG-TERM DEBT (Continued)**

**REVENUE BONDS PAYABLE**

Revenue bonds outstanding at June 30, 2010 consist of LCRA Parking Facility Revenue Refunding Bonds Series 1999B, and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Bonds). The Bonds are dated October 21, 1999.

**Series 1999A**

These bonds with an original issue amount of \$2,470,000 are due at intervals until September 1, 2009. These bonds carry rates of interest from 7.625 to 9.0 percent. The balance was paid in full during the year ended June 30, 2010.

**Series 1999B**

These bonds with an original issue amount of \$8,300,000 are due at intervals until September 1, 2019, and are payable solely from, and secured by, a pledge of gross revenues from the operation of SLDC Parking Facilities' St. Louis Centre East parking garage. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry rates of interest from 6.5 to 7.0 percent. The balance at June 30, 2010 is \$7,650,000.

**Series 1999C**

These bonds with an original issue amount of \$3,040,000 are due September 1, 2024. Bond proceeds were to repay an LCRA note payable and construct a parking lot on a property in the St. Louis Centre Development Area. The Bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry a rate of interest of 7.05 percent.

The annual debt service requirements to maturity for bonded debt as of June 30 are as follows:

Business-Type Activities  
Revenue Bonds

	Series A		Series B		Series C	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ -	\$ -	\$ 430,000	\$ 540,675	\$ -	\$ 214,320
2012	-	-	455,000	511,913	-	214,320
2013	-	-	485,000	481,362	-	214,320
2014	-	-	515,000	448,219	-	214,320
2015	-	-	545,000	412,444	-	214,320
2016-2020	-	-	5,650,000	1,343,275	-	1,071,600
2021-2025	-	-	-	-	3,040,000	691,605
Total	\$ -	\$ -	\$8,080,000	\$3,737,888	\$3,040,000	\$2,834,805

St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

J. **LONG-TERM DEBT** (Continued)

*NOTES PAYABLE*

At June 30, 2010, notes payable consist of the following:

Bank and Other Notes Payable	<u>\$16,620,772</u>
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**Small Business Administration Loan Programs (SBA)**

The LDC provides the local management support for administering the Small Business Administration's (SBA) 504 Urban Revitalization loan programs. Under the 504 program loans, a bank contributes 50 percent of the total loan package, the SBA contributes 40 percent, and the borrower is responsible for the remaining 10 percent.

The bank and SBA portion of the loans are made without recourse to LDC, and in the event of default, those parties would seek recovery only from the collateral pledged.

The 504 loan payments are received monthly by a servicing agent and are remitted semiannually to SBA. The Organization has no direct control over these 504 loans. Under the terms of SBA's Authorization and Debenture Guaranty, LDC is contingently liable to SBA for these 504 loans in the event default by the borrower is caused by fraud, gross negligence, or by payments held by LDC. The outstanding balance for these loans as of June 30, 2010 was \$4,099,983. No liability has been recorded for such loans by SLDC.

**Bank and Other Notes Payable**

Bank and other notes payable balances at June 30, 2010 consist of the following:

Note payable to Enterprise Bank. Principal is due July 2010. Interest is due monthly at a rate of the bank's prime rate (3.25% at June 30, 2010) plus 1.00 percentage points, with a floor interest rate of 5.50%. The note payable is collateralized by deeds of trust on various properties. This note was refinanced subsequent to year end and bears a new maturity date of January 2011.	\$ 2,400,000
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Note payable to Pulaski Bank. Principal is due July 2010. Interest is due monthly at a rate of 5.3%. The note payable is collateralized by deeds of trust on various properties. This note was refinanced subsequent to year end and bears a new maturity date of July 2011.	540,000
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St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

**J. LONG-TERM DEBT** (Continued)

*NOTES PAYABLE (Continued)*

Note payable to Pulaski Bank. Principal is due August 2010. Interest is due monthly at a rate of 6.3%. The note payable is collateralized by deeds of trust on property held for development. This note provides availability up to \$5,000,000. This note was refinanced subsequent to year end and bears a new maturity date of November 2010.

4,816,078

Note payable to the Missouri Development Finance Board. Interest is due monthly and the entire principal is due December 2019. Interest will accrue at a rate of 2.38% until December 1, 2010, at which time interest will accrue at a rate equal to the bank's prime rate (3.25% at June 30, 2010) rate plus 2 percentage points.

5,000,000

Note payable to the Greater St. Louis Land Development Fund, Inc. Principal and interest is due at various dates through 2013. Interest will accrue at a rate equal to the LIBOR (0.348% at June 30, 2010) rate plus 325 basis points. The note payable is collateralized by various deeds of trust.

1,864,694

Note payable to the Greater St. Louis Regional Empowerment Zone. The note is without interest. The principal balance is due December 2010. The note payable is collateralized by a second deed of trust, the assignment of lease, rent, and fixture filing.

2,000,000

Total Bank and Other Notes Payable \$16,620,772

Maturities on bank and other notes payable are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$10,576,078	\$ 374,119
2012	1,044,694	123,812
2013	-	119,000
2014	-	119,000
2015	-	119,000
2016	-	119,000
2017	-	119,000
2018	-	119,000
2019	-	119,000
2020	<u>5,000,000</u>	<u>59,500</u>
	<u>\$16,620,772</u>	<u>\$1,390,431</u>

St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

**J. LONG-TERM DEBT (Continued)**

*NOTES PAYABLE (Continued)*

**Other Liabilities**

Amounts recorded as other liabilities consist of funds that have been received by SLDC but have not been spent at June 30, 2010. They include funds received in advance for various development projects, and proceeds from notes and loans receivable that have been put into a revolving loan program for small business development. Other items included are security deposits and unearned revenue. Classification of these amounts as current or non-current is based on management's estimate of when the funds will be spent or when the outstanding loans will be repaid.

**Due to Other Governmental Agencies**

Amounts recorded as due to other governmental agencies consist of amounts due to federal, state, local, and other pass through governmental agencies. These are notes and loans receivable for small business development and land that is being held for redevelopment. Amounts which are expected to be paid within one year are classified as current and amounts expected to be paid after one year are non-current. Classification as current and non-current is based on management's estimate of when these notes and loans will be paid back to SLDC, or when the land held for redevelopment is expected to be sold.

**K. COMMITMENTS**

SLDC leases property and office space under the following operating lease agreements:

In December 1996, SLDC signed a five-year lease for office space. The agreement commenced March 1997, with three months abated rent and thereafter, monthly base payments of \$37,711 through February 2002. In January 2001, SLDC signed an agreement to extend the lease for fifteen years. The new agreement, which increased the monthly base rent to \$47,081 with periodic increases and the leased space by 6,216 square feet, will end February 2017. SLDC also has sublease agreements with the Planning and Urban Design Development Agency (PDA) and the Community Development Administration (CDA) in effect through February 2017.



St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010  
(Continued)

**K. COMMITMENTS** (Continued)

Future minimum base rents under the terms of the lease agreements, net of sublease rents anticipated from CDA and PDA are as follows:

2011	\$ 254,807
2012	270,252
2013	301,141
2014	301,141
2015	301,141
2016-2017	<u>501,902</u>
	<u>\$1,930,384</u>

Additionally, at June 30, 2010, Port was committed through February 2012 under an original twenty-five year operating lease with the City which requires annual rental payments of \$1 for property at the City terminal site. Under the lease agreement, Port shall make improvements to the leased premises and award subleases for all or a portion of the leased premises. Sublease revenue is retained by Port for use at the terminal site.

**L. CONTRACTS AND AGREEMENTS**

SLDC has entered into various cooperative agreements with CDA as a subrecipient/administrator of the Community Development Block Grant programs. The purpose of these grants and contracts is to provide support for economic development in the City. Revenues from these contracts amounted to \$7,698,784 during the year ended June 30, 2010.

SLDC has received three allocation awards of New Markets Tax Credit ("NMTC") investment authority pursuant to Section 45D of the Internal Revenue Code: a Round 2, \$52 million allocation received in 2005, a Round 6, \$45 million allocation received in October 2008, and a Round 7, \$65 million allocation received in October 2009 from the Department of the Treasury's Community Development Financial Institutions Fund ("CDFI"). The NMTC program allows individuals and corporate taxpayers to receive a credit against federal income taxes in exchange for making a qualified entity investment in a qualified active low-income community business ("QALICB"). In order to qualify for the credits various federal requirements must be complied with.

St. Louis Development Corporation  
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

*(Continued)*

**L.     CONTRACTS AND AGREEMENTS *(Continued)***

SLDC was required to create Community Development Entities (“CDE”) so as to demonstrate its mission of serving low-income residents and its accountability to the low income community. The NMTC program requires the credits to be transferred to the QALICB’s by for-profit partnerships or corporations for federal tax purposes. To comply with this provision, SLDC created 20 subsidiary CDEs – St. Louis New Markets Tax Credit Fund, LLC I through XX with the intent that each project to be allocated would be assigned its own CDE. The entire Round 2, \$52 million of tax credits has been allocated to seven entities and all of the transactions had closed as of June 30, 2008. Six entities were selected through a Request for Proposals (“RFP”) to receive sub-allocations from SLDC’s Round 6 allocation. Four of the Round 6 transactions have closed leaving just \$2.5 million in remaining credits from that allocation. The Round 7 allocation was announced in October 2009 and two of those transactions have closed for a total of \$20.5 million in credits. The remaining \$51.5 million in credits are either in underwriting or are committed to high impact projects in the City.

**M.     URBAN DEVELOPMENT ACTION GRANT (UDAG)**

SLDC is a servicing agent of UDAG funds provided by CDA. Loans from CDA for UDAG funds are made without recourse to developers. In the event of default, CDA would seek recovery only from collateral pledged or absorb the losses. Any repayments received on these loans are refundable to the CDA.

**N.     CONTINGENCIES**

In connection with Federal grant programs, SLDC is obligated to administer the related programs and spend the grant monies in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require SLDC to refund program monies.

In the normal course of its operations, certain lawsuits and legal actions are pending against SLDC. In the opinion of SLDC officials and legal counsel, these items are not expected to have a material effect, individually or in the aggregate, upon the financial position or the results of operations of SLDC. In addition, certain properties held for development may be subject to future environmental remediation costs. In the opinion of SLDC officials, these costs would not have a material adverse effect upon the financial position or the results of operations of SLDC.

**ADDITIONAL  
INFORMATION**

**Independent Auditors' Report on  
Additional Information**

Board of Directors  
St. Louis Development Corporation  
St. Louis, Missouri

Our report on our audit of the basic financial statements of St. Louis Development Corporation for the year ended June 30, 2010 appears on page one. Our audit was made for the purpose of forming an opinion on the financial statements as a whole. The accompanying additional information on pages 30 through 36 and additional independent auditors' reports are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

  
November 24, 2010

St. Louis Development Corporation  
COMBINING STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES - SPECIAL REVENUE FUND  
June 30, 2010

	SLDCF	LCRA	LDC	PIEA	IDA	LRA	Port	Eliminations	Total
<b>ASSETS</b>									
Cash and investments - unrestricted	\$ 1,256,184	\$ 6,759,119	\$ 1,484,712	\$ 36,646	\$ 88,363	\$ 726,010	\$ -	\$ -	\$ 10,351,034
Cash held in escrow by City of St. Louis	-	-	-	-	-	3,619	2,037,362	-	2,040,981
Receivables, net of allowances:									
Notes and loans	850,000	5,000,000	7,408,383	2,000,000	-	-	-	-	15,258,383
Other	628,661	33,349	3,500	-	21,500	225,571	387,055	-	1,299,636
Prepaid expenses	34,406	17,286	-	9,818	-	186,113	-	-	247,623
Due from other funds	4,698,141	1,037,090	60,288	-	37,500	-	-	( 5,681,592)	151,427
Due from other governmental agencies	319,850	86,065	113,791	-	-	43,786	-	-	563,492
Property, plant, and equipment, net	1,054	-	-	-	-	-	1,100,000	-	1,101,054
Property held for development (net of allowance for impairment of \$7,840,944)	-	13,874,795	-	3,454,827	-	152,923	-	-	17,482,545
<b>Total Assets</b>	<b>\$ 7,788,296</b>	<b>\$ 26,807,704</b>	<b>\$ 9,070,674</b>	<b>\$ 5,501,291</b>	<b>\$ 147,363</b>	<b>\$ 1,338,022</b>	<b>\$ 3,524,417</b>	<b>( \$ 5,681,592)</b>	<b>\$ 48,496,175</b>
<b>LIABILITIES AND NET ASSETS</b>									
<b>Liabilities</b>									
Accounts payable and accrued expenses	\$ 851,597	\$ 1,792,957	\$ 70,943	\$ 16,801	\$ -	\$ 247,017	\$ 380,090	\$ -	\$ 3,359,405
Due to other funds	2,192,187	873,683	200,208	279,831	175,000	1,960,683	-	( 5,681,592)	-
Due to other governmental agencies	850,000	763,004	7,429,906	1,082,708	-	125,000	-	-	10,250,618
Notes payable	-	12,756,078	-	3,864,694	-	-	-	-	16,620,772
Other liabilities	2,869,919	740,024	1,386,953	-	-	42,162	56,590	-	5,095,648
<b>Total Liabilities</b>	<b>6,763,703</b>	<b>16,925,746</b>	<b>9,088,010</b>	<b>5,244,034</b>	<b>175,000</b>	<b>2,374,862</b>	<b>436,680</b>	<b>( 5,681,592)</b>	<b>35,326,443</b>
<b>Net Assets - Unreserved</b>									
Undesignated	1,024,593	9,881,958	( 17,336)	257,257	( 27,637)	( 1,036,840)	3,087,737	-	13,169,732
<b>Total Net Assets</b>	<b>1,024,593</b>	<b>9,881,958</b>	<b>( 17,336)</b>	<b>257,257</b>	<b>( 27,637)</b>	<b>( 1,036,840)</b>	<b>3,087,737</b>	<b>-</b>	<b>13,169,732</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,788,296</b>	<b>\$ 26,807,704</b>	<b>\$ 9,070,674</b>	<b>\$ 5,501,291</b>	<b>\$ 147,363</b>	<b>\$ 1,338,022</b>	<b>\$ 3,524,417</b>	<b>( \$ 5,681,592)</b>	<b>\$ 48,496,175</b>

See independent auditors' report on additional information  
(29)

St. Louis Development Corporation  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
GOVERNMENTAL ACTIVITIES - SPECIAL REVENUE FUND  
For the Year Ended June 30, 2010

	SLDCF	LCRA	LDC	PIEA	IDA	LRA	Port	Total
<b>REVENUES</b>								
Intergovernmental - CDBG	\$ 3,344,940	\$ 715,439	\$ 1,107,078	\$ -	\$ -	\$ 2,531,327	\$ -	\$ 7,698,784
Other governmental	1,084,019	1,676,868	-	-	-	-	914,491	3,675,378
Program non-governmental	703,495	5,550	-	-	-	322,963	346,045	1,378,053
Rental	614,504	2,397	-	1,750	-	21,523	1,939,585	2,579,759
Land sales proceeds	-	5,279	-	43,000	-	431,910	177,743	657,932
Parking	-	244,115	-	-	-	15,337	40,947	300,399
Development fees	538,884	471,590	69,654	-	391,723	-	-	1,471,851
Interest income	9,536	86,919	( 93)	( 341)	381	4,260	12,849	113,511
Other	24,454	1,039,187	-	-	-	135,256	-	1,198,897
<b>Total Revenues</b>	<b>6,319,832</b>	<b>4,247,344</b>	<b>1,176,639</b>	<b>44,409</b>	<b>392,104</b>	<b>3,462,576</b>	<b>3,431,660</b>	<b>19,074,564</b>
<b>EXPENDITURES</b>								
Development costs:								
Site improvements and construction	1,834,147	1,375,543	-	-	-	-	78,531	3,288,221
Property acquisition & real estate expenses	-	17,757	-	200	-	2,645,195	-	2,663,152
Consulting and other	586,917	91,921	-	-	-	56,591	383,743	1,119,172
Grants and contracts	1,373,674	488,541	854,988	-	-	264,823	37,017	3,019,043
Salaries and administrative expenses	5,746,611	-	255,327	-	45	-	-	6,001,983
Property maintenance and expenses	89,313	130,577	-	13,745	-	728,310	620,069	1,582,014
Debt service - interest	-	78,339	-	-	-	-	-	78,339
Other	-	1,154,623	-	2,000,000	-	-	-	3,154,623
Depreciation	1,054	-	-	-	-	250	200,000	201,304
<b>Total Expenditures</b>	<b>9,631,716</b>	<b>3,337,301</b>	<b>1,110,315</b>	<b>2,013,945</b>	<b>45</b>	<b>3,695,169</b>	<b>1,319,360</b>	<b>21,107,851</b>
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>( 3,311,884)</b>	<b>910,043</b>	<b>66,324</b>	<b>( 1,969,536)</b>	<b>392,059</b>	<b>( 232,593)</b>	<b>2,112,300</b>	<b>( 2,033,287)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers	3,441,736	( 1,415,805)	( 75,000)	935,000	( 400,000)	( 300,000)	( 2,491,736)	( 305,805)
<b>NET ASSETS, Beginning of period</b>	<b>894,741</b>	<b>10,387,720</b>	<b>( 8,660)</b>	<b>1,291,793</b>	<b>( 19,696)</b>	<b>( 504,247)</b>	<b>3,467,173</b>	<b>15,508,824</b>
<b>NET ASSETS, End of period</b>	<b>\$ 1,024,593</b>	<b>\$ 9,881,958</b>	<b>( \$ 17,336)</b>	<b>\$ 257,257</b>	<b>( \$ 27,637)</b>	<b>( \$ 1,036,840)</b>	<b>\$ 3,087,737</b>	<b>\$ 13,169,732</b>

See independent auditors' report on additional information  
(30)

St. Louis Development Corporation  
STATEMENT OF NET ASSETS  
LCRA GOVERNMENTAL AND PROPRIETARY FUND - GARAGE  
June 30, 2010

	LCRA	Proprietary Fund- Garage	Total
<b>ASSETS</b>			
Cash and investments - unrestricted	\$ 6,759,119	\$ 158,072	\$ 6,917,191
Cash and investments - restricted	-	1,986,354	1,986,354
Notes and loans receivable	5,000,000	-	5,000,000
Other receivables	33,349	28,672	62,021
Prepaid expenses	17,286	47,519	64,805
Due from other funds	1,037,090	-	1,037,090
Due from other governmental agencies	86,065	-	86,065
Other assets	-	258,704	258,704
Land	-	4,914,138	4,914,138
Property, plant, and equipment, net	-	7,328,316	7,328,316
Property held for development	<u>13,874,795</u>	<u>-</u>	<u>13,874,795</u>
 Total Assets	 <u>\$ 26,807,704</u>	 <u>\$ 14,721,775</u>	 <u>\$ 41,529,479</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 1,792,957	\$ 46,678	\$ 1,839,635
Due to other funds	873,683	151,427	1,025,110
Accrued interest payable	-	256,320	256,320
Due to other governmental agencies	763,004	-	763,004
Revenue bonds payable	12,756,078	11,120,000	23,876,078
Other liabilities	<u>740,024</u>	<u>-</u>	<u>740,024</u>
 Total Liabilities	 <u>16,925,746</u>	 <u>11,574,425</u>	 <u>28,500,171</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	1,122,454	1,122,454
Restricted for:			
Revenue bond requirements	-	1,986,354	1,986,354
Unrestricted	<u>9,881,958</u>	<u>38,542</u>	<u>9,920,500</u>
 Total Net Assets	 <u>9,881,958</u>	 <u>3,147,350</u>	 <u>13,029,308</u>
 Total Liabilities and Net Assets	 <u>\$ 26,807,704</u>	 <u>\$ 14,721,775</u>	 <u>\$ 41,529,479</u>

See independent auditors' report on additional information  
(31)

St. Louis Development Corporation  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
LCRA GOVERNMENTAL AND PROPRIETARY FUND - GARAGE  
For the Year Ended June 30, 2010

	LCRA	Proprietary Fund- Garage	Total
<b>REVENUES</b>			
Intergovernmental	\$ 715,439	\$ -	\$ 715,439
Other governmental	1,676,868	-	1,676,868
Program non-governmental	5,550	-	5,550
Rental	2,397	-	2,397
Land sales proceeds	5,279	-	5,279
Parking	244,115	1,430,387	1,674,502
Development fees	471,590	-	471,590
Interest income	86,919	52,732	139,651
Other	1,039,187	-	1,039,187
<b>Total Revenues</b>	<b>4,247,344</b>	<b>1,483,119</b>	<b>5,730,463</b>
<b>EXPENDITURES</b>			
Construction costs	1,375,543	-	1,375,543
Consulting	91,921	-	91,921
Site acquisition and real estate expenses	17,757	-	17,757
Contractual services	488,541	30,964	519,505
Personal services and administrative	-	225,383	225,383
Maintenance and security	130,577	131,649	262,226
Utilities	-	87,128	87,128
Insurance	-	59,965	59,965
Gross receipts tax	-	41,734	41,734
Debt service - interest	78,339	782,975	861,314
Other	1,154,623	-	1,154,623
Depreciation and amortization	-	642,247	642,247
<b>Total Expenditures</b>	<b>3,337,301</b>	<b>2,002,045</b>	<b>5,339,346</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>910,043</b>	<b>( 518,926)</b>	<b>391,117</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers	( 1,415,805)	305,805	( 1,110,000)
<b>NET ASSETS, Beginning of Period</b>	<b>10,387,720</b>	<b>3,360,471</b>	<b>13,748,191</b>
<b>NET ASSETS, End of Period</b>	<b>\$ 9,881,958</b>	<b>\$ 3,147,350</b>	<b>\$ 13,029,308</b>

See independent auditors' report on additional information



St. Louis Development Corporation  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Passed-through the City of St. Louis, Missouri Community Development Administration			
Community Development Block Grant - Entitlement Grants	14.218	06-33-55	\$ 306,549
		08-50-03	( 54,075)
		08-70-35	65,215
		09-50-06U	400,000
		09-33-55	409,047
		09-33-55NSP	1,776,603
		09-50-03	1,318,486
		09-50-06	408,286
		09-70-35	360,849
		09-90-90	432,651
		09-90-90U	224,887
		10-32-02	182,284
		10-33-55	35,368
		10-50-03	413,482
		10-50-06	298,792
		10-70-35	267,519
		10-90-90	<u>155,614</u>
			<u>7,001,557</u> *
Community Development Block Grant - Empowerment Zone Program	14.244	EZ-10-002	671,000
		EZ-08-002	<u>500,000</u>
			<u>1,171,000</u> *
Community Development Block Grant - Brownfields Economic Development Initiative	14.246	05-29-93	<u>599,909</u> *
Community Development Block Grant - Section 108 Loan Program	14.248	90-20-70C	115,530
		98-35-55	<u>721</u>
			<u>116,251</u>
Total U.S. Department of Housing and Urban Development			<u>8,888,717</u>

See independent auditors' report on additional information

St. Louis Development Corporation  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010  
(Continued)

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. Environmental Protection Agency			
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	2B-97708601-ARRA	158,210
		BF-98746101	264,635
		BF-98797501	11,313
		BF-98797601	94,210
		BF-98797401	41,644
		BF-98797301	156,282
		BF-98797701	116,354
		BF-97711801	33,747
		BF-97711901	<u>9,200</u>
Total U.S. Environmental Protection Agency			<u>885,595</u> *
U.S. Department of Transportation			
Passed-through the Missouri Department of Transportation			
Highway Planning and Construction	20.205	ARRA-ES06 (40)	37,017
		ARRA-ES06 (34)	105,504
		ARRA-ES06 (29)	<u>228,068</u>
Total U.S. Department of Transportation			<u>370,589</u> *
U.S. Department of the Interior			
Historic Preservation	15.904		<u>5,500</u>
Passed-through the Department of Homeland Security			
Port Security Grant Program	97.056	2007-GB-T7-0133	<u>272,125</u> *
Total Expenditures of Federal Awards			<u><u>\$10,422,526</u></u>

\* Major Program

St. Louis Development Corporation  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2010

**A. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the St. Louis Development Corporation for the year ended June 30, 2010. St. Louis Development Corporation's reporting entity is defined in Note A of St. Louis Development Corporation's basic financial statements.

**B. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A of the St. Louis Development Corporation's basic financial statements.

**C. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Expenditures of Federal Awards included in the basic financial statements of St. Louis Development Corporation are as follows:

St. Louis Development Corporation Fund	\$ 4,265,308
Land Clearance for Redevelopment Authority	2,220,011
Local Development Company	1,107,078
Land Reutilization Authority	2,793,112
St. Louis Port Authority	<u>37,017</u>
	<u>\$10,422,526</u>

**ADDITIONAL  
INDEPENDENT  
AUDITORS'  
REPORTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
St. Louis Development Corporation  
St. Louis, Missouri

We have audited the financial statements of St. Louis Development Corporation as of and for the year ended June 30, 2010 and have issued our report thereon dated November 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered St. Louis Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Louis Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Louis Development Corporation's internal control over financial reporting.


*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether St. Louis Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Ahmed T. T. & Co., PC".

November 24, 2010

St. Louis, Missouri

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133 AND ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

Board of Directors  
St. Louis Development Corporation  
St. Louis, Missouri

**Compliance**

We have audited St. Louis Development Corporation's compliance of with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. St. Louis Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of St. Louis Development Corporation's management. Our responsibility is to express an opinion on St. Louis Development Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Louis Development Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of St. Louis Development Corporation's compliance with those requirements.

In our opinion, St. Louis Development Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 10-1 and 10-2.

### **Internal Control Over Compliance**

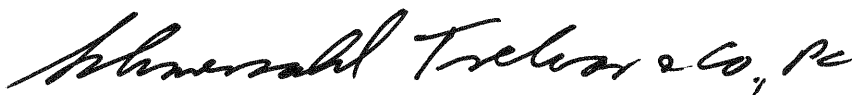
Management of St. Louis Development Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered St. Louis Development Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

St. Louis Development Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit St. Louis Development Corporation's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers", is written over a horizontal line.

November 24, 2010  
St. Louis, Missouri



St. Louis Development Corporation  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

(1) Summary of Auditors' Results

- (1) The type of report issued on the financial statements: **unqualified opinion.**
- (2) Significant deficiencies in internal control were disclosed by the audit of the Financial Statements: **no** Material weaknesses: **no.**
- (3) Noncompliance which is material to the financial statements: **no.**
- (4) Significant deficiencies in internal control over major programs: **no** Material weaknesses: **no.**
- (5) The type of report issued on compliance for major programs: **unqualified opinion.**
- (6) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **no.**
- (7) Major program(s): **U.S. Department of Housing and Urban Development, Community Development Block Grant Program - Entitlement Grants - 14.218, Empowerment Zone Program - 14.244, and Brownfields Economic Development Initiative - 14.246; U.S. Environmental Protection Agency, Brownfields Assessment and Cleanup Cooperative Agreement - 66.818; U.S. Department of Transportation, Highway Planning and Construction - 20.205; and U.S. Department of Homeland Security - 97.056.**
- (8) Dollar threshold used to distinguish between Type A and Type B programs: **\$312,676.**
- (9) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **no.**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: **none.**

(3) Findings and Questioned Costs – Major Federal Award Programs Audit:

Item 10-1      CFDA #14.246

**Condition**

Documentation related to the Davis-Bacon Act, in certain circumstances, was not obtained and monitored for a short period of time on an individual contract during this project period as required.

**Criteria**

The Davis-Bacon Act requires the payment of prevailing hourly wages for projects funded with Federal monies.

St. Louis Development Corporation  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010  
(Continued)

(3) Findings and Questioned Costs – Major Federal Award Programs Audit (Continued):

Item 10-1 CFDA #14.246 (Continued)

**Effect**

The failure to properly monitor Davis-Bacon Act requirements could result in disallowance of the construction cost charged to the program.

**Recommendation**

Improve communication between the program manager and CDA to ensure the appropriate documentation of information related to the Davis-Bacon Act are maintained and monitored to make certain contractors are in compliance.

**Management Corrective Action Plan**

Management concurs with the finding and has improved communication to ensure that the appropriate documentation of information related to the Davis-Bacon Act are maintained and monitored to make certain contractors are in compliance. The missing documentation has been obtained and all wages are in compliance.

Item 10-2 CFDA #14.218

**Statement of Condition**

In six of twenty-six items tested the requirements for advancement of funds was not met. Monies received were not used within three days of receipt due to delays in real estate closings for properties at the time of purchase.

**Criteria**

When funds are advanced procedures should be in place to minimize the time between the transfer of Federal funds and the disbursement of funds for program purposes.

**Effect of Condition**

If Federal funds received are not disbursed on a timely basis, the Organization runs the risk of losing those funds.

**Recommendation**

Spend all Federal funds received on a timely basis. If issues occur in the closing of properties purchased that will not allow for the timely disbursement of funds, the monies should be returned until issues present are resolved.

**Management Corrective Action Plan**

Management concurs with the finding and will take steps to ensure that scheduled closings proceed as planned before funds are drawn down. In instances when there are delays the monies received that cannot be disbursed on a timely basis will be returned.

St. Louis Development Corporation  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2010

None.